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INVESTIGATION OF THE PRICE SCALE IMPORTANCE IN THE CONDITIONS OF THE POST-SOVIET MARKET SOCIETY

Показана перспективність дослідження значення масштабу цін, а також подолання вкорінених протягом тривалого часу відірваних від життя, не перевічених досвідом, уявлень про масштаб цін. Розглянуто формування ефективної ринкової економіки на основі реального, а не надуманого масштабу цін як найважливішого індикатора функціонування національної економіки пострадянських країн.

Ключові слова: *ціна праці як масштаб цін, економічний розвиток пострадянських країн, демонетизація золота.*

1. Introduction

The large-scale and substantive changes in the organization of various aspects of the functioning of society in the post-Soviet space over the past quarter-century have radically changed not only everyday realities and their perceptions. The lexicon of the average post-Soviet man has also changed. Words, expressions, speech are appeared after many years of oblivion. However, a whole number of them went unnoticed, not only from everyday use, but even from the vocabulary of professional economists, have ceased to be the focus of scientific research, dissertations, articles, discussions. One of them is the «price scale» category.

Of course, in modern conditions, one can't speak of the complete forgetfulness of the concept of «price scale». For example, in the teaching of economic disciplines, in particular, such issues as the functions of money, elements of the national monetary system, a certain place in this category is still given. However, in this case, this category is initially limited to the use of money as a measuring instrument and a measure of the value of goods, services, works, so a more detailed study of this issue is relevant.

2. The object of research and its technological audit

The object of research is modern ideas about the price scale and their inconsistency with the tasks of reforming the economic foundations of the post-Soviet society.

In all textbooks and handbooks on finance, money circulation and credit, the price scale is defined as the total expression of the following terms:

- one of the elements of the national monetary system [1];
- determines the purchasing power of national money in the domestic market [2];
- technical subfunction of the monetary function of the measure of value, by means of which the value of the commodity is transformed into the price of the last [3];
- in the era of metallism – the weight of the monetary metal, which is normatively fixed as a monetary unit [4];

- lost its metallic content in connection with the completion of the historical process of demonetization – first of silver, and subsequently of gold [5];
- now the official price scale is replaced by the actual one, which is formed spontaneously in the process of market exchange [6].

And here comes the first hitch. The loss of the value scale of the meaning, which for millennia was formally or informally invested in it, does not at all mean abandoning the category itself. However, if gold is no longer a monetary commodity and its price no longer determines the initial quantitative parameters of measuring and measuring the value of goods, then what is the basis for the price scale in the modern economy? Many authors simply bypass this issue, at best limited to the thesis that in modern conditions, the price scale is spontaneous [7].

There are also such opinions:

- the price scale serves as a means of measuring and expressing the prices of goods and services with the help of a state legislative act that establishes a certain monetary unit [8];
- the price scale is determined by the state [9].

One can't agree with a number of widely disseminated, including through educational literature, provisions. Here are a few examples:

- «as the demonetization of gold and the separation of its official price from the market, the official price scale increasingly turned into a category of formal order» [10];
- «modern monetary scales are completely conditional and serve to maintain an account, and also are held on universal recognition, regulated not by economic laws, but by legal laws» [11].

Modern money does not have its own value, and therefore can't accurately reflect the value of goods. After all, it is known that they are therefore inferior because the purchasing power of this money exceeds their intrinsic value, and as a result, the latter is not able to exert any influence on the former. In this connection, the purchasing power of modern money is determined exclusively by market conditions.

Thus, the claims that the gold price scale was replaced by paper money and is still set by the state, which can

change the previously established price scale, seem to be erroneous. What leads to state arbitrariness in the issue of the fundamental categories of the economic structure of society is well known from the relatively recent socio-economic history of the former USSR and other countries of the socialist camp.

All this is clearly not enough, since they testify to the deep-seated underestimation of the fundamental influence that the price scale has on the parameters of the social and economic life of modern society.

At the level of international economic relations, there is some clarity, both in scientific and applied terms, about this issue. In modern conditions, for the purpose of cross-country comparisons, the aggregate index of purchasing power parity is used. The basis of the latter is the ratio of the so-called «commodity baskets». But here it is impossible to do without the question: how are the prices of goods, services, works from the basket determined? It would seem that for the question: prices are determined by the market and in the market, under the influence of the supply-demand ratio. However, there is more to it than to object. For example, the price begins to form long before the product enters the market, and in the market it is only corrected in one direction or another under the influence of the current situation and market expectations. What in this case serves as a value reference for the market and filling the notion of «price scale»?

3. The aim and objectives of research

The aim of research is substantiation of the need for a radical rethinking of the significance of the price scale as one of the fundamental categories of a market society.

To achieve this aim, the following tasks are set:

1. To reveal the flawedness of the established ideas about the price scale.
2. To substantiate, on the basis of foreign experience, the need to restore the real price scale in a market society.
3. To show the significance of solving the issue of the real price scale at the level of state policy.

4. Research of existing solutions of the problem

A thorough and detailed acquaintance with the views on the issue of the price scale that had been established in the post-Soviet space from the Soviet times [1–5] also highlights another aspect of the investigated problem. The problem of the price scale is not regarded as a problem worthy of scientific research. Consequently, in the financial literature there are no serious, comprehensive and professional studies on the price scale, except for works [12, 13].

However, the long experience of teaching the authors of this work of monetary disciplines in higher education institutions, the level of familiarity with the problem gives the basis for presenting their own vision of approaches to solving this problem.

And the fact that this is a real and not a contrived problem is confirmed by the fact that the pricing mechanism in the relevant markets is devoid of a compass, which should be the price scale. Already at the very beginning of market reforms, all post-Soviet republics faced the following questions: how to measure and measure the prices of the most diverse goods, services, works in the condi-

tions, if not yet not completely market, then no longer a socialist economy? How to determine the price of privatized assets? How to evaluate work in the most diverse branches of economic activity? Effective solution of such issues required a preliminary suppression of destructive inflation. By the early 2000s, this had been achieved. However, the mechanism of effective equilibrium pricing is still absent. The root cause of this is the unresolved issue of the price scale.

The absence of the generally accepted global level of «price scale» notion gives the authors of this work a good reason to assert that each country forms its own understanding of the basis of the national price scale. In other words, it is differentiated according to highly developed, medium-developed and underdeveloped economies. In the sense that it is the product of a complex intertwining of the qualitative and quantitative characteristics of each particular national economy. For example, with all the achievements of the Soviet system, the level of well-being of Soviet citizens (excluding the elite of society) has always been low, even compared with the average developed capitalist countries, not to mention highly developed. Therefore, it is not surprising that the real price scale during the Soviet period was based on the price of bread. Thus, the price of one commodity, but now not of gold, but of the main consumer product of Soviet society is bread.

The difference between highly developed societies in this matter is that the fundamental basis of the price scale is the price of the commodity «labor power». The logic here is quite simple: if all local production is intended for the domestic market, then the employed part of the population – hired labor – should have the appropriate monetary (financial) capacity (Table 1).

Table 1

Some economic indicators of industrially developed countries

Indicators \ Years	1950 = 100 %		1965 = 100 %		
	1960	1965	1970	1980	1988
Industrial production	165	226	129	173	212
Physical volume of imports	197	294	160	255	369
Physical volume of exports	199	285	157	290	384
Real wages	134	152	114	142	149

Note: the data are taken from [14].

Why in the conducted research the indicators of the period 1960–1988 are taken? Because, as you know, the final point in the postwar recovery in Western Europe was the introduction after December 27, 1958 in these countries of the collective convertibility of currencies on current operations and the partial easing of restrictions on the movement of capital and credit. [15] This is clear and straightforward evidence of the restoration, along with the war-ravaged economy, as well as a real, rather than a far-fetched price scale. In addition, it is necessary also to take into account the fact that in many aspects of social and economic development the post-Soviet society, including Azerbaijan, does not live in the 21st century.

With such high rate of development of production and foreign trade, real wage growth should ensure a high

level of domestic solvent demand in these countries. And the fact that such ideology is not a fiction is confirmed by the following data (Table 2).

Table 2

The growth rates of consumer prices and nominal average hourly wages

Years/Indicators Countries	1960–1970		1970–1980		1980–1988	
	Prices, %	Wages, %	Prices, %	Wages, %	Prices, %	Wages, %
USA	2.8	3.8	7.8	8.1	4.6	4.4
United Kingdom	4.0	6.5	13.7	15.2	6.0	9.4
West Germany	2.6	8.4	5.1	8.0	2.6	4.0
France	4.1	8.8	9.6	14.9	7.0	9.2
Italy	3.6	10.3	14.0	19.6	10.7	11.9
Sweden	4.0	8.3	9.2	12.5	7.4	8.3
Japan	5.8	11.6	9.0	13.1	1.9	3.6
Industrially developed countries	3.3	6.0	8.6	11.2	5.0	5.6

Note: the data are taken from [14].

It is easy to see that «nominal growth in prices, whatever it is, should be compensated, if not overlapped, by a nominal increase in the level of incomes in the country» [14].

Opponents may object that since the early 1970s in the United States, Japan and leading Western European countries, there is a long-term decline in the share of wages in GDP [16]. However, even with such trend, the GDP wage-intensity index in highly developed countries remains significantly high.

For the sake of justice, it should be noted that this indicator shows a smooth trend, not only for a group of highly developed countries, but also for medium-developed ones. At the same time, for the CIS countries (incl. and Azerbaijan), this indicator is characterized by serious annual jumps. Therefore, another aspect is more revealing, namely: the difference in wages between the CIS (including Azerbaijan) and developed countries exceeds the discrepancy in terms of labor productivity by a factor of times. This speaks not only of the undervaluation of labor, but also shows that the price of labor in the CIS countries can't become the anchor, which it actually is for a nationwide price scale in developed countries. As a consequence, inefficient execution of their functions with money, and also does not realize the classical idea of equal wages for equal work, the importance of which is undoubted for Azerbaijan.

5. Methods of research

In the research of the goal and specific tasks, scientific methods of theoretical analysis, comparison and generalization, induction and deduction were used.

6. Research results

Strategic road maps on the national economy and the main sectors of the economy of the Republic of Azerbaijan [17] represent the fundamental ideological basis of a completely new model of the social and economic development of the whole society. Their implementation is designed to bring the society of Azerbaijan to a com-

pletely new, immeasurably high level of functioning, both in their own eyes and in the eyes of the entire world community. However, let's consider it perfectly justified and expedient to supplement the set of strategic road maps with one more – entirely devoted to the policy of income and wages. This will allow the price scale to turn from an amorphous category into one of the most important indicators of the functioning of the national economy. The economy will acquire what it has long been lacking – an effective measuring instrument and a measure of the cost of living and materialized labor. Prices and price ratios will begin to acquire a healthy basis for the definition.

As part of the implementation of this strategic card, let's consider it expedient to adopt a package of normative acts providing for:

a) establishment of a minimum hourly wage rate in the real sector of the country's economy, differentiated by region, industry and occupation. The guideline for this should be the International Labor Organization/UN Convention No. 131 «On Minimum Wages, 1970»;

b) annual indexation of the minimum hourly rate in accordance with the inflation rate in the country. The benchmark for this should be not only the average inflation rate, but also the inflation rate for food. Half of all its expenditures are spent by the Azerbaijan population on the purchase of food products;

c) establishment of a living wage in the country as a minimum level of the financial state of citizens, sufficient to meet the most necessary physiological and social needs for food and non-food products. And also the services that form the consumer basket;

d) reforming the remuneration of public sector employees in accordance with similar practices of the EU countries.

7. SWOT analysis of research results

Strengths. The terms of the scholastic views that have developed in the financial literature in the post-Soviet space on the price scale are shown. And also the practical importance of restoring a real, rather than a far-fetched price scale, is shown on the example of the experience of post-war reconstruction in Western Europe.

Weaknesses. The statistical possibilities of justifying the scale of undervaluation of labor under the conditions of the Republic of Azerbaijan and the ineffectiveness of the exercise of their functions by money have not been sufficiently explored.

Opportunities. Prospective for further research are issues of the price scale on the example of highly developed and dynamically developing countries of other regions of the world (East and South-East Asia).

Threats. It is shown that the implementation of the goals and objectives of the Strategic Roadmaps on the national economy and the main sectors of the economy of the Republic of Azerbaijan will contribute to the formation of a healthy national price scale.

8. Conclusions

1. The paper shows that in order to strengthen the fundamental political and economic foundations of market relations in the post-Soviet market society, the issue of a radical revision of the ideas about the price scale that have developed during the Soviet period is becoming

important. It is required to return the price scale to the place that it should occupy as one of the inalienable elements of the national monetary system.

2. During the research, the necessity of restoring the real price scale in the conditions of a market society is justified. The post-war experience of Western countries shows that the formation of a real and healthy price scale can and should occur in the mainstream of industrialization of society. The modern economy is built on credit money, which, as is known, is immanently exposed to inflationary depreciation. All this undermines the purchasing power of the national money, and in the conditions of the post-Soviet society it also narrows the possibilities of moving to a justified price scale. The post-war development of industrially developed countries (from the early 1950s to the late 1980s) is characterized by outstripping rates of industrial production compared with real wage growth (Table 3).

Table 3

Comparative dynamics of industrial growth and real wages in industrialized countries

Indicators	Years		1965=100 %		
	1950=100 %	1965	1970	1980	1988
Industrial production	165	226	129	173	212
Real wages	134	152	114	142	149
Industrial production to real wages	1.23:1	1.48:1	1.13:1	1.21:1	1.42:1

Note: the data are taken from [14].

The positive dynamics of this ratio allowed the industrial countries not only to compensate, but also to block the growth of consumer prices by the growth of nominal average hourly wages (Table 4).

Table 4

Comparative dynamics of the growth rates of consumer prices and nominal average hourly wages in industrialized countries

Indicators	Years		
	1960–1970	1970–1980	1980–1988
Wages, %	6.0	11.2	5.6
Prices, %	3.3	8.6	5.0
Wages to prices	1.82:1	1.3:1	1.12:1

Note: the data are taken from [14].

Thus, the outstripping growth of industrial production in comparison with inflation allowed the countries of Western Europe to achieve growth of both nominal and real earnings. The role of the economic basis of the price scale in conditions of an increasing world trend towards full demonetization of gold passes to the commodity, «the minimum price of which is formally established by the law of the state» [12].

3. It is shown that the purchasing power of modern money is determined solely by market conditions and there is no state arbitrariness in this matter. However, this does not mean denying participation of the post-Soviet state in resolving this issue. It should consist in the implementation of a set of measures to reduce the scale of undervaluation of labor so that it is the price of labor that has been taken as the basis for a nationwide price

scale. In the conditions of the Republic of Azerbaijan, such step can be the adoption of normative acts on the policy of income and wages systematically linked to the goals and objectives of the Strategic Roadmap for the National Economy and the Main Sectors of the Economy.

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ИССЛЕДОВАНИЕ ЗНАЧЕНИЯ МАСШТАБА ЦЕН В УСЛОВИЯХ ПОСТСОВЕТСКОГО РЫНОЧНОГО ОБЩЕСТВА

Показана перспективность исследования значения масштаба цен, а также преодоления укоренившегося на протяжении длительного времени оторванных от жизни, не проверяемых опытом, представлений о масштабе цен. Рассмотрено формирование эффективной рыночной экономики на основе реального, а не надуманного масштаба цен как важнейшего индикатора функционирования национальной экономики постсоветских стран.

Ключевые слова: цена труда как масштаб цен, экономическое развитие постсоветских стран, демонетизация золота.

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